

Commercial Risk Advisor

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Provided by:
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How NAFTA's Replacement Trade Deal Will Impact Businesses

Representatives from the United States, Mexico and Canada recently reached an agreement to update the North American Free Trade Agreement (NAFTA). The new trade deal, referred to as the United States-Mexico-Canada Agreement (USMCA), includes a number of changes to support North American businesses, increase labor regulations and overhaul intellectual property (IP) protections.

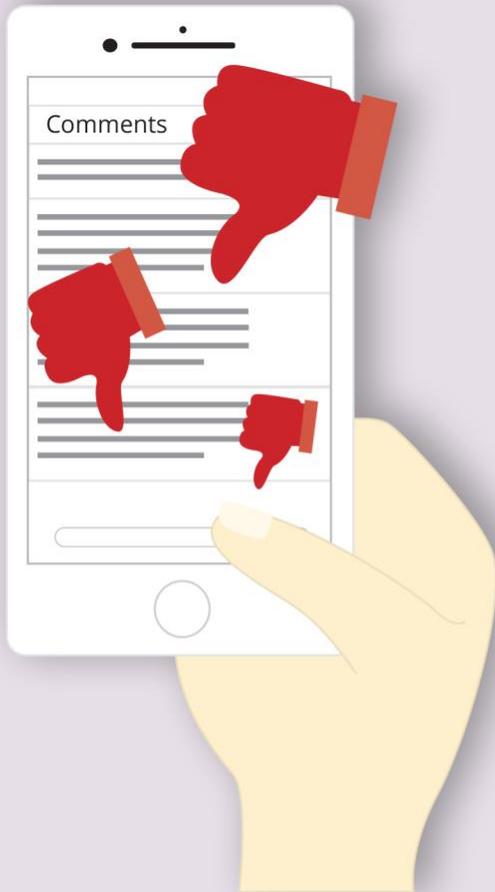
Although the USMCA has many similarities to NAFTA, some important changes will likely affect businesses:

- **North American auto industry**—Starting in 2020, vehicles will only avoid tariffs if at least 75 percent of their parts are made in North America (up from the current 62.5 percent requirement). Also, at least 30 percent of the work done during the manufacturing process must be done by employees with hourly wages of \$16 or more. Although these changes should help to discourage overseas imports, some believe that they could significantly increase the price of vehicles.
- **Better IP protections**—The new deal has stricter regulations to protect trademarks, copyrights and other strategic plans. The USMCA also extends copyright protections to 70 years beyond the life of the author.
- **Disputes and reviews**—One of the USMCA's provisions allows for a special dispute process that's handled by a panel of representatives instead of one of the three country's court systems. An automatic review process will take place six years after the three countries ratify the deal, and it will automatically dissolve after 16 years.

Social Media and Reputational Damage

Social media platforms like Facebook and Twitter can double the cost of reputational damage.

Preparation levels and response plans after a cyber incident can cause companies to either add 20% to their value or lose up to 30%.



Source: Aon and Pentland Analytics

NAFTA will remain in effect until all three countries approve the USMCA, which is likely to occur sometime in early 2019.

A New Law Could Change How We Prepare for Disasters

Congress and President Donald Trump recently approved the Disaster Recovery Reform Act (DRRA), an overhaul of the federal government's approach to disaster preparation and risk reduction. The new law gives businesses, federal agencies and state governments more flexibility when requesting and using federal grants.

Before now, the Federal Emergency Management Agency (FEMA) had strict regulations about how it distributed funds during a recovery process. Grants were usually used to help replace lost property, but didn't account for improvements to help prevent future disasters. In fact, one of the biggest reasons that the National Flood Insurance Plan (NFIP) is over budget and in need of reform is that it's common for a single property to flood frequently and make multiple insurance claims.

The DRRA has new provisions in place to emphasize planning and help streamline how funds are given out:

- 6 percent of the federal disaster budget will be put into a pre-disaster mitigation account every year. State governments, businesses and communities can apply for grants to fund risk mitigation activities.
- Rebuilding that uses federal funds will use strengthened building code requirements to protect against future incidents. Improving public utilities will also be a priority in order to ensure access to clean water and electricity.
- The president will be able to reimburse up to 75 percent of a state or local government's disaster mitigation efforts to ease the strain on federal agencies.

According to FEMA, every \$1 put into planning for disasters can help save \$6 during the recovery process. Contact us today at 920-921-5921 for toolkits, articles and other resources your company can use to prepare for various disasters and ensure the continuity of your business.